



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 17

**Agenda Date:** April 20, 2023

**In Control:** City Council A Session

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**DEPARTMENT:** Economic Development Department

**DEPARTMENT HEAD:** Brenda Hicks-Sorensen

**COUNCIL DISTRICTS IMPACTED:** Citywide

**SUBJECT:**

Amended and Restated Bylaws for the San Antonio Economic Development Corporation (SAEDC).

**SUMMARY:**

An Ordinance approving the San Antonio Economic Development Corporation (SAEDC) amended bylaws for the facilitation of real estate transactions in agreement with the Economic Development Strategic Framework goals. The SAEDC Board approved the bylaw amendments on March 7, 2023, for consideration by City Council.

**BACKGROUND INFORMATION:**

City Council approved the formation and bylaws of the SAEDC on May 13, 2010, as a nonprofit corporation governed by a seven-member board of directors (Board) which consists of the Mayor, City Manager, the Chair of the Economic and Community Development Committee (currently known as the Economic and Workforce Development Council Committee), Chair of the Infrastructure and Growth Committee (currently known as the Transportation and Mobility Council Committee), and three citizens at-large.

The SAEDC was established with the purpose of promoting, assisting, and enhancing economic

development activities for the City of San Antonio. Historically, the SAEDC has supported local early-stage companies with investments spanning the technological, bio-medical, and military-medical sectors.

On October 20, 2022, City Council accepted the Economic Development Strategic Framework. As part of the framework, the Placemaking and Real Estate goal was established to create quality spaces for new jobs and investment in San Antonio's regional centers and neighborhood economic nodes. The framework outlines the strategic use of tools for placemaking initiatives, such as the SAEDC, to build a more resilient local economy.

Under the Development Corporation Act of 1979, cities were granted the ability to finance new and expanded business enterprises in their local communities through economic development corporations (EDCs). There is no provision under the Development Corporation Act that subjects EDCs to municipal procurement requirements. Therefore, EDCs are not required to comply with the notice and bidding requirement contained in Ch. 272 of the Local Government Code when selling or leasing property. However, a subset of EDCs, those created under Section 4B of the Act, must still obtain fair market value when selling property. Additionally, property owned by Section 4B EDCs is exempt from local property taxation under Section 11.11 of the Tax Code. The SAEDC meets the statutory designation of a Section 4B EDC.

Under state statute, cities must follow various guidelines to implement real estate and placemaking efforts. For example, land owned by a city may only be sold at auction or pursuant to public notice and competitive bidding, unless an exception is allowed under Ch. 272 of the Local Government Code. Additionally, municipal-owned property must be used by the City exclusively for public purposes in order to be exempt from ad valorem taxes. These requirements hinder creative economic development strategies, decreasing efficiency in selling or leasing property to foster placemaking efforts.

#### **ISSUE:**

On March 7, 2023, the SAEDC Board approved bylaw amendments to modify the criteria for contract approvals. Amendments to the bylaws require the approval of City Council.

Whereas state statute affords cities greater flexibility to finance new and expanded business enterprises via economic development corporations, the current bylaws do not allow for the effective usage of the SAEDC as a tool for placemaking activities. The current bylaws require City Council consent for the sell, lease, exchange, or mortgage of any of the property and assets of the Corporation, to the extent that such action involves the expenditure of City funds. The bylaws further require that any administrative expenditure in excess of \$50,000 by the Corporation for a project must first be submitted to and approved by the City Council. For contracts involving real estate transactions, City Council is bound to the state statutes for a municipality.

The proposed bylaws amend the contract requirement so that only SAEDC Board approval would be required to enter into contracts involving the sale, lease, purchase, or exchange of property. City Council approval will continue to be required for all other contracts that require the expenditure of City funds in excess of \$50,000.

**ALTERNATIVES:**

Without the adoption of the amendments to the SAEDC bylaws, the SAEDC would not be able to effectively serve as a tool to support placemaking initiatives outlined in the Economic Development Department Strategic framework.

**FISCAL IMPACT:**

There is no fiscal impact to the City through this action. This consideration is associated with the adoption of amendments to the SAEDC bylaws.

**RECOMMENDATION:**

EDD staff recommends approval of the amendments to the San Antonio Economic Development Corporation's bylaws.